

Message Text

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FM AMCONSULATE SURABAYA

TO SECSTATE WASHDC 0537

INFO AMEMBASSY JAKARTA

UNCLAS SURABAYA 0135

E.O. 11652: N/A

TAGS: ABLD, ID

SUBJECT: REQUEST FOR EXCHANGE OF HOUSES

REF: FORM FS-512, PROPERTY NO. 43306, DATED 4/20/59

1. REQUEST CONSIDERATION FOR EXCHANGE OF USG-OWNED PROPERTY ON JALAN JUWONO 2, SURABAYA (AS DESCRIBED IN REF.) FOR ANOTHER HOUSE IN SURABAYA FOR LOWER COST.

2. JUSTIFICATION FOR CONSIDERATION OF TERMINATION OF US INTEREST IN JUWONO 2:

A. ALTHOUGH THE HOUSE WHEN FIRST PURCHASED BY THE USG WAS PALATIAL AND LOCATED IN A FASHIONABLE NEIGHBORHOOD, THE SITUATION IN THE CITY HAS CHANGED IN THESE 20 YEARS (VERY RAPIDLY IN THE LAST THREE). THE COMPLEXION OF THE JUWONO NEIGHBORHOOD HAS DRASTICALLY CHANGED WITHIN THE LAST 1 1/2 YEAR. THE HOUSE, A CORNER LOT, IS FLANKED BY JALAN RAYA DARMO, ONCE A TREE-FILLED BOULEVARD. THE STREET IS NOW ENLARGED AND THE BUSIEST IN SURABAYA (THE MAIN THOROUGHFARE IN AND OUT OF TOWN). CONSTANT TRAFFIC STARTS UP ABOUT 5 AM AND SUBSIDES AFTER 9PM. WITH NO POLLUTION AND NOISE CONTROLS HERE, JUWONO 2 IS DAILY COATED INSIDE AND OUT WITH AUTOMOBILE SOOT AND SMOG. NOISE IS CONSTANT. DUE TO THE LARGENESS OF THE HOUSE (THE MAIN ROOM CEILING IS OVER 6 METERS HIGH), TO CLOSE UP THE HOUSE WOULD BE PROHIBITIVELY EXPENSIVE AND REQUIRE ADDITIONAL AIR CONDITIONING (ALMOST UNCLASSIFIED

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IMPOSSIBLE THERE BECAUSE OF TREMENDOUS ELECTRICAL DEMAND

THROUGHOUT THAT NEIGHBORHOOD). THE YARD, ALTHOUGH SPACIOUS, IS UNUSABLE DUE TO CONSTANT NOISE AND POLLUTION. (THERE IS NO BACK YARD.)

B. AS JALAN DARMO HAS BECOME THE CITY'S MAIN STREET, THE JUWONO AREA HAS BEGUN EXPERIENCING CONVERSION FROM RESIDENTIAL TO BUSINESSES. JUST ACROSS THE STREET THERE IS A TRUCKING FIRM, ITS TRUCKS PARK IN THE STREET. SHARING A SIDE WALL WITH JUWONO 2 IS A COMMUNITY REGISTRATION CENTER, WHICH IN THE DAY RESEMBLES A MARKET. ALSO THE DEMAND FOR ELECTRICITY IS HIGH IN THE AREA, AGGRAVATING THE REGULAR FLUCTUATIONS OF INCOMING POWER. THE HOUSE HAS CONSTANTLY EXPERIENCED SHORTER THAN NORMAL LIVES FOR REFRIGERATORS, FREEZERS, AIR CONDITIONERS, AND LIGHTS, DUE TO FLUCTUATING VOLTAGES. THE SECURITY IN THE AREA MUST BE TIGHTENED. LAST MONTH, A NUMBER OF THIEVES AT NIGHT ENTERED THE YARD, AND BROKE OUT THE WINDOW OF AN AUTOMOBILE, PARKED WELL INTO THE YARD

NEXT TO THE HOUSE, IN A WELL LIT AREA-

THE ELECTRICAL AND OTHER SYSTEMS IN THE HOUSE ARE IN NEED OF OVERHAUL. THE ELECTRICAL SYSTEM, NOW OVER 20 YEARS OLD, IS IN NEED OF COMPLETE OVERHAUL SOMETIME THIS YEAR.

3. THIS CHANGE TO A BUSINESS AREA WILL ACCELERATE AS BUSINESS MOVE SOUTH IN THE CITY. DESPITE ALL ITS FAULTS, THE HOUSE (PRIMARILY DUE TO LOCATION) IS VALUABLE, ESPECIALLY AS A BUSINESS OFFICE, BUT IS ALSO CONSIDERED ATTRACTIVE AS A RESIDENCE FOR THE INCREASING NUMBER OF RICH CHINESE SEEKING TO MOVE OUT OF THE CENTER CITY'S KAMPONG AREAS. WE HAVE BEEN TOLD INFORMALLY BY SEVERAL LAND AND CONSTRUCTION BUSINESSMEN THAT THE LAND THERE COULD WELL BE WORTH \$190-240 A SQUARE METER. PRICE ESTIMATES (INFORMAL) RANGE FROM \$175,000 TO \$325,000 FOR JUWONO 2. SURABAYA HAS SEVERAL POTENTIAL REPLACEMENT HOUSES (USUALLY NEW CONSTRUCTION WITH 2-3 MODERN BATHS AND MODERN KITCHEN, AS WELL AS AMPLE SPACE). USUALLY THESE HOUSES ARE SIMILAR OR LOWER IN VALUE THAN JUWONO, UNCLASSIFIED

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AND ARE LOCATED IN QUIETER, LESS FLUCTUATING NEIGHBORHOODS. IN TRYING TO ASCERTAIN A VALUE ON PROPERTY, EMPLOYING APPRAISERS HAS ATTENDENT DEFECTS:

A. COST 1/4-1/2 PERCENT OF THE APPRAISED VALUE.

B. LACK OF STANDARDS AND PROFESSIONALISM (AUTHORIZED APPRAISERS OFTEN APPOINTED BECAUSE OF MUNICIPAL

CONNECTIONS). ONE APPRAISER ADMITTED HIS SUBJECTIVITY IN HIS WORK AND ALSO REFUSED TO SHOW HIS QUALIFICATIONS.

C. SELDOM USED. EVERY BUYER AND SELLER WE TALK TO BARGAIN FACE TO FACE WITH THE OTHER PARTY, SELLER SETTING A HIGH PRICE THEN COMING DOWN.

4. WE HAVE LOCATE A SUITABLE REPLACEMENT HOUSE (1ST OFFER \$280,000), WHICH, BUT FOR AMOUNT OF ELECTRICITY, IS EXCELLENT, IN A RESIDENTIAL AREA, NEXT TO THE MAYOR'S HOUSE, BUT OWNER NEEDS TO KNOW OUR AMOUNT OF INTEREST SOONEST.

5. CAN WE CONDUCT A SWAP OF HOUSES UNDER FBO GUIDELINES. BASICALLY GETTING A BUYER OF JUWONO 2 TO BUY THE HOUSE WE CHOOSE AND EXCHANGING IT FOR JUWONO WITH A PAYMENT OF CASH DIFFERENCE TO US AND WORKED OUT THROUGH BARGAINING AND PERHAPS OUR OWN HIRING OF AN APPRAISER (IF REQUIRED). WE COULD CONSIDER HIRING A JAKARTA APPRAISER AND FLYING HIM HERE.

6. IF THIS IS FEASIBLE WHAT INFORMATION ABOUT ANY HOUSE WE ARE INTERESTED IN WOULD YOU NEED TO KNOW PRIOR TO A FINAL TRANSACTION. ONCE WE ARE CONVINCED OF A PROFIT, WOULD YOU MAKE AVAILABLE TO US ANY INTERIM FUNDS FOR NOTARIAL FEES (TITLE RESEARCH) AND APPRAISAL FEES (IF REQUIRED).

7. ONE POSSIBLE CAVEAT. THE USG HOLDS A HAK PAKAI ON JUWONO 2, NOT FEE SIMPLE. HOW THIS WILL EFFECT THE WORTH OF THE PROPERTY IS UNKNOWN AT THIS TIME. NO DEFINITIVE ANSWER WILL BE FORTHCOMING UNTIL WE TALK DIRECTLY WITH A BUYER.
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